

**CABINET MEETING – 7 DECEMBER 2023**

**EXECUTIVE SUMMARY SHEET- PART I**

**Title of Report:**

Budget Planning Framework and Medium-Term Financial Plan 2024/2025 – 2027/2028

**Author(s):**

Director of Finance

**Purpose of Report:**

This report:

- Provides an update, since the Budget Planning Framework and Medium-Term Financial Plan (MTFP) report to Cabinet in October 2023, on the key factors influencing the development of the Council's financial plans into the medium term;
- Sets out the updated headlines and context for the Medium-Term Financial Plan (MTFP) 2024/2025 to 2027/2028;
- Sets out the provisional budget savings proposals for 2024/2025 to assist in meeting the current budget gap, as a basis for budget consultation, prior to the receipt of the Local Government Finance Settlement for 2024/2025; and
- Sets out the consultation / communication strategy for the budget 2024/2025.

**Description of Decision:**

Cabinet is recommended to:

- note the summary MTFP set out at section 3 of the report and note that the full MTFP 2024/2025 to 2027/2028 will be presented to Cabinet in February 2024; and
- approve the provisional additional budget savings proposals, as the basis for budget consultation, prior to the receipt of the Local Government Finance Settlement for 2024/2025.

**Is the decision consistent with the Budget/Policy Framework?**

Yes, it is seeking to inform a future decision to change the Budget and Policy Framework for 2024/2025.

**Suggested reason(s) for Decision:**

- Adoption of the Budget Planning Framework forms an essential part of the process of the preparation and compilation of the Revenue Budget for 2024/2025; and
- To enable constitutional requirements relating to the development of the Revenue Budget to be met.

**Alternative options to be considered and recommended to be rejected:**

There are no alternative options recommended for approval.

**Impacts analysed:**

**Equality**  **Privacy**  **Sustainability**  **Crime and Disorder**

**Is the Decision consistent with the Council's co-operative values?** Yes

**Is this a "Key Decision" as defined in the Constitution?** Yes

**Is it included in the 28 day Notice of Decisions** Yes

**BUDGET PLANNING FRAMEWORK AND MEDIUM-TERM FINANCIAL PLAN 2024/2025 – 2027/2028****Director of Finance****1. Purpose of Report**

## 1.1 This report:

- Provides an update, since the Budget Planning Framework and Medium-Term Financial Plan (MTFP) report to Cabinet in October 2023, on the key factors influencing the development of the Council's financial plans into the medium term;
- Sets out the updated headlines and context for the Medium-Term Financial Plan (MTFP) 2024/2025 to 2027/2028;
- Sets out the provisional budget savings proposals for 2024/2025 to assist in meeting the current budget gap, as a basis for budget consultation, prior to the receipt of the Local Government Finance Settlement for 2024/2025; and
- Sets out the consultation / communication strategy for the budget 2024/2025.

**2. Description of Decision**

## 2.1 Cabinet is recommended to:

- note the summary MTFP set out at section 3 of the report and note that the full MTFP 2024/2025 to 2027/2028 will be presented to Cabinet in February 2024; and
- approve the provisional additional budget savings proposals, as the basis for budget consultation, prior to the receipt of the Local Government Finance Settlement for 2024/2025.

**3. Medium Term Financial Plan 2023/2024 to 2026/2027**

3.1. The MTFP 2023/2024 to 2026/2027 was approved by Council in March 2023 as part of the 2023/2024 budget setting process. The MTFP is continually updated to reflect changing circumstances and latest known information. This report provides a further update on the MTFP since the Budget Planning Framework and MTFP report was presented to Cabinet on 12 October 2023. The full MTFP 2024/2025 to 2027/2028 will be presented to Cabinet in February 2024.

3.2. Given the ongoing significant uncertainties relating to Government funding, economic turbulence including significant inflation and future pressures on Council services, the focus of this report is on the 2024/2025 budget. Key points to note since the October Cabinet report, which impact on Budget Planning for 2024/2025 and beyond are set in section 3.3 below.

### **3.3. Post October Cabinet Update**

- 3.3.1 Since the last update to Cabinet in October, the Chancellor announced his Autumn Statement on 22<sup>nd</sup> November 2023. The Office for Budget Responsibility (OBR) outlook for the economy and public finances was published alongside the Chancellor's Autumn Statement.
- 3.3.2 The Russian invasion of the Ukraine has created significant uncertainty in the global economy, particularly in energy markets leading to significant cost increases. Whilst energy prices have fallen from their peak, they remain considerably higher than before the invasion and together with other rises have led to an unavoidable increase in the cost of living in the UK and significant rises in inflation levels.
- 3.3.3 Following Base Rate rises at fourteen consecutive meetings of the Bank of England's (BoE) Monetary Policy Committee (MPC) through to August 2023, the MPC voted at its September meeting (5 to 4) to retain the Base Rate at its current level of 5.25%. At the November MPC the vote was 6 to 3 to keep the Base rate at 5.25%, with three members preferring to increase the Base Rate by 0.25 percentage points, to 5.5%.
- 3.3.4 Annual CPI inflation dropped to 4.6% in the year to October 2023. The reduction from September (6.7%) reflected last October's sharp rise in domestic electricity and gas prices dropping out of the annual comparison window to be replaced by a fall this October in line with the latest Ofgem energy price cap reduction. Inflation remains far higher than the BoE target of 2%.
- 3.3.5 The UK unemployment for April to June 2023 increased by 0.3% on the quarter to 4.2% and subsequently rose to 4.3% in July 2023 and remains at that level at the end of September 2023. The increase was largely attributable to people unemployed for up to 6 months.
- 3.3.6 Following the recommendations of the independent Low Pay Commission (LPC), the Chancellor confirmed in the Autumn Statement that the headline National Living Wage (NLW) rate will increase by c. 9.8% to £11.44 an hour from 1 April 2024 and apply to those aged 21 and over. The Real Living Wage foundation confirmed an increase of 10% to £12.00 per hour for the real living wage from 1<sup>st</sup> May 2024.

### **3.4. Central Government Funding for Local Government**

- 3.4.1 The Chancellor delivered the Autumn Statement to Parliament on 22<sup>nd</sup> November 2023 a week later than for 2022 meaning that the Provisional Local Government Finance Settlement is highly unlikely to be any earlier than the previous year (19<sup>th</sup> December). The key aspects relating to local government finance include:

#### Core Spending Power

- 3.4.2 The delayed Fair Funding Review and amendments to the Business Rates retention model were due to be implemented in 2021/2022. One of the consequences of this delay is the accumulated Business Rates growth within the current system that should have been redistributed into a new baseline when Fair Funding and Business Rates Retention was introduced remains as is. This funding currently resides with those authorities generating this growth rather than

being redistributed as part of a baseline reset. It is expected that a redistribution would benefit Sunderland, all other things being equal. It is not anticipated that this issue will be addressed as part of the Local Government Settlement planned for this year.

- 34.3 The position will be kept under review; at this stage the timing and outcome of any review is too uncertain to specifically include within the MTFP. The Council will, as and when required, make the case for redistribution of this growth.

### **Revenue Support Grant (RSG)**

- 34.4 Given the delay in the implementation of a revised Business Rates Retention Scheme, RSG is likely to be retained in 2024/2025. Funding increases are generally linked to September CPI which was published on 18<sup>th</sup> October 2023. Pending any final confirmation, the MTFP assumes an inflationary increase of 6.7% for 2024/2025.

### **Social Care Funding**

- 34.5 Members may recall that the 2023/2024 settlement allowed for the continuation of a number of Social Care grants and further Social Care Support Grant. This additional funding, whilst welcome, fails to provide both the certainty and level of funding required to meet the continued cost pressures being experienced within Social Care, driven by demographic, inflationary and workforce retention challenges.
- 34.6 Social Care Grant - Repurposing of funding previously earmarked by the Government for Social Care Charging Reforms of £1.345bn nationally in 2023/2024 and a further £0.532m in 2024/2025. The Chancellor announced the postponement of the Social Care reforms plans from October 2023 to October 2025. This earmarked funding is provided to assist councils to meet their mounting financial pressures in both adults and children's social care delivery. It is unclear how the reforms, which have been delayed until October 2025, will subsequently be funded. From this allocation the Council is expected to receive £13.867m in 2024/2025 (an increase of £3.931m on 2023/24).
- 34.7 Adult Social Care Discharge Fund - For 2024/2025 it is expected that the national allocation will increase to £500m from which the Council is estimated to receive £4.366m to help "ensure those people who need to draw on social care when they are discharged from hospital can leave as soon as possible, freeing up hospital beds for those who most need them". The funding will be pooled as part of the Better Care Fund (BCF).
- 34.8 Adult Social Care Market Sustainability and Improvement Fund (MSIF): In the 2023/2024 settlement the Council was allocated £3.671m from a national funding pot of £562m. This is ringfenced for the primary purpose to make tangible improvements to adult social care services in particular to build capacity and improve market sustainability. For 2024/2025 it is expected that the national funding allocation will increase to £845m from which it is estimated that the Council will receive £5.520m.
- 34.9 On 28th of July 2023, the Department for Health and Social Care (DHSC) announced a further £570m of ringfenced funding across financial years 2023/2024 (£365m) and 2024/2025 (£205m) to local authorities to improve and

increase adult social care provision, with a particular focus on workforce pay through the MSIF. The Council has been allocated £2.384m for 2023/2024. Allocations for 2024/2025 have not been announced but if apportioned on the same basis it could be assumed that the Council would receive c£1.339m. The grant is one off and should be used to:

- increase fee rates paid to adult social care providers;
- increase adult social care workforce capacity and retention; and
- reduce adult social care waiting times.

This one-off funding in 2024/2025 has been included within the updated MTFP to support the additional cost pressures in Adult Social Care.

3.4.10 As part of the Better Care Fund (BCF) and within the Integrated Care Board (ICB) NHS Minimum Contribution an element of funding is passported to Adult Social Care to support local systems to successfully deliver the integration of health and Adult Social Care in a way that supports person-centred care, sustainability and better outcomes for people and carers. The Council's 2023/2024 allocation is £9.461m which following application of the national inflation uplift of 5.66%, the Council will receive an extra £0.536m. This additional funding has been included in the updated MTFP and will be used to support ongoing activity in 2024/2025.

### **Public Health Funding**

3.4.11 It was envisaged that Public Health would be rolled into the overall local government funding position following the Fair Funding Review, with the risk that the Council could lose significant funding should the Government adopt a different allocation methodology. Annual allocations of the ringfenced Public Health Grant continue to be announced albeit these are generally confirmed outside of the Local Government Finance Settlement.

### **New Homes Bonus (NHB)**

3.4.12 The local government finance settlements in December 2021 and December 2022 confirmed a further one-year extension of NHB payments. The national quantum of funding available for redistribution from the NHB was again reduced as part of the settlement, due to increases elsewhere in the settlements being taken from this funding source. The previous intention of the Government was to abolish NHB. There remains uncertainty with regard to 2024/2025 and so at present the MTFP forecasts remain unchanged (i.e., it is assumed there will no funding through NHB).

### **Other Government Grant funding streams**

3.4.13 Other Government grants are not anticipated to be confirmed until the Provisional Local Government Settlement is announced in December 2023. However, planning assumptions are currently:

- The Business Rates multiplier and Top Up grant has historically increased in line with inflation (CPI at September). The Chancellor confirmed in the Autumn Statement that the small business rates multiplier would be frozen with the standard multiplier increasing in line with inflation. Additionally, the current 75% business rates relief scheme applied to eligible Retail,

Hospitality and Leisure businesses was extended to the end of 2024/2025. In line with September's CPI an increase of 6.7% has been assumed within the MTFP for 2024/2025 in relation to grant received.

- Housing and Council Tax Benefit Administration and Local Council Tax Support Administration Grant - The current methodology for allocating funding was introduced for the financial year ending March 2020. The methodology was intended to be an interim allocation methodology during migration to Universal Credit (UC). The Department for Work and Pensions (DWP) have advised of a change to their methodology for the next three years with transitional protection arrangements to apply. This is likely to result in a small negative impact on the Council in 2024/25. The DWP are yet to confirm the allocation for 2024/2025.

### **3.5. Summary Funding Position Over Medium Term**

3.5.1 Based on the assumptions outlined above, Government funding is forecast to increase by £17.984m in 2024/2025 compared with 2023/2024 based upon a number of assumptions outlined above.

3.5.2 The position on Government funding beyond the current year is even more uncertain, with the continued assumption at this stage, that the Government will ensure at worst a broadly status quo position is maintained upon implementation of Fair Funding and any amended Business Rate Retention Scheme.

### **3.6. Provision for Spending Pressures and Commitments 2024/2025 to 2027/2028**

3.6.1 In addition to funding changes, the Council must also plan for a range of spending pressures and commitments which are not funded by the Government.

3.6.2 It is proposed to reflect the following spending commitments in the budget planning, noting that in a number of cases specific cost details still require finalisation and will be subject to review and refinement throughout the remainder of the budget setting process:

#### Pay Award

3.6.3 The pay award for the 2023/2024 financial year has now been agreed with an increase of £1,925 on all NJC pay points. This equates to a pay increase of 9.42% for employees on the national pay point 2 and everyone on the NJC pay spine would receive a minimum 3.88% pay increase. A pay award offer of 3.5% for JNC Chief Officer employees was accepted in May 2023 with the same offer now having been accepted by Chief Executives.

3.6.4 Provision for a 5% pay award was factored in to the 2023/2024 approved budget. Based upon the current pay offer, this would create an additional cost of c.£2.500m for the Council and its wholly owned companies, beyond that included in the Council's 2023/2024 revenue budget. This additional impact has been factored in to the MTFP for future years alongside an assumption of 3.5% for 2024/2025 given the forecast inflation levels and impact of increases in the national minimum wage and real living wage. The position will be kept under review throughout the budget process.

## Energy

- 3.6.5 The impact of the unprecedented escalation of energy prices is continuing to have a significant impact on residents, businesses and public bodies. The Council as part of the 2023/2024 budget, provided for significant increases in respect of the Council's energy requirements, based on the forecast prices at the time. In recent months wholesale prices have reduced, leading to a revised, lower, forecast cost for 2023/2024 and into 2024/2025 but still significantly in excess of previous levels. The MTFP provides for the latest forecast energy costs for 2024/2025 with the impact into the medium term continuing to be affected by many global factors.

## General Contracts

- 3.6.6 There is upward cost pressure on the Council's services due to the impact on general costs and contracts as a result of escalating inflation. Current CPI inflation of 4.6% is expected to decline further for the remainder of the financial year and is forecast to remain above the Bank of England's target for some time
- 3.6.7 Provision is included within budget planning for the impact of general contract inflation, including on contracts, any impact of the National Living Wage and significantly the Council's commitment to the Real Living Wage for contractors. This includes contract inflation for both Sunderland Care and Support (SCAS) and Together for Children (TfC), the costs of which fall on the Council's general fund. Budgets within services have also been realigned to reflect available financial headroom to meet or reduce the impact of general contract inflation in 2024/2025.

## **Updated Spending Pressures**

### Adult Social Care Demand and Cost Pressures

- 3.6.8 Pressures in both the NHS and Adult Social Care continue with the number of older people requiring care increasing. The increasing longevity of the population continues to place a significant pressure on Adult Social Care budgets. In addition, client expectations and increasing demand to support clients with complex needs to enable them to maintain independent living requires reconfigured services and additional investment. The Council and its NHS partners are working together informally to integrate health and care and to develop plans collectively to enable the organisations to achieve more than they can individually to improve health and care outcomes and reduce health inequalities in Sunderland.
- 3.6.9 The National Living Wage represents a significant cost pressure for local authorities as service providers, particularly in the social care sector, endeavour to recover the impact of these increased costs through annual inflationary uplifts to contract prices. Planning assumptions will be reviewed and updated as necessary following the recent National Living Wage / Real Living Wage announcements.

### Children's Services Pressures

- 3.6.10 TfC is forecasting ongoing pressures of £4.8m largely driven by external factors in the main through increased costs arising from the increasing complexity of



children's needs and finite capacity in the residential market which is driving higher prices being charged for accommodation alongside increased cost of home to school transport and costs associated with supporting unaccompanied asylum seeker children. The MTFP has been updated to reflect this ongoing pressure.

### Homelessness and Supported Housing

3.6.11 The Council is seeing a significant increase in service demand by those that are homeless or at risk of homelessness. These increasing demands have been primarily due to the impact of the cost of living crisis and more recently with the refugee programmes. This increased demand to help people with their accommodation needs is placing financial pressure on the temporary accommodation budget. Through our current budget provision and Government funding the financial position being managed, however it is uncertain how demand and accommodation costs will materialise in the future. The position will be kept under review with the budget planning framework and MTFP updated as necessary.

### Other Pressures

3.6.12 Full Council at its November meeting agreed a motion In Recognition of Our Key Workers. This included a proposal for the introduction of an additional day of annual leave for Council staff (including TfC and SCAS) from the 2024/25 financial year in recognition of the service they have provided to the Council's residents during the pandemic. The estimated additional cost that will be incurred by the Council is £266,000 in relation to providing an additional day of holiday. Budget planning has been updated accordingly.

## **Summary Spending Pressures and Commitments**

3.6.13 A summary of the updated spending pressures and commitments is set out below:

	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m
<b>Spending Pressures and Commitments</b>					
Pay	9.598	4.172	4.284	4.399	<b>22.452</b>
Energy	(2.400)	0.500	0.500	0.500	<b>(0.900)</b>
Other Price and Contract Inflation (inc.Social Care Demand Pressures)	17.600	9.586	8.101	8.382	<b>43.668</b>
Transport Levy	0.611	0.500	0.500	0.500	<b>2.111</b>
Other Service Pressures	1.190	0.000	0.000	0.000	<b>1.190</b>
Capital Financing	5.130	3.000	3.000	1.200	<b>12.330</b>
Pensions Actuarial Review	0.000	0.000	2.000	0.000	<b>2.000</b>
<b>Total Spending Pressures and Commitments</b>	<b>31.728</b>	<b>17.758</b>	<b>18.385</b>	<b>14.980</b>	<b>82.851</b>

## **3.7. Summary Resources, Pressures and Commitments Position**

3.7.1 The total of changes in resources and spending pressures represents the estimated gross funding gap. At this stage there remain significant uncertainties which include:

- Government funding announcements, and the subsequent Local Government Finance Settlement for 2024/2025, to confirm the actual individual local

- authority allocations. This is likely to be announced in late December;
- The ongoing impact of the global economy and inflation on the Council's costs and income;
- Ongoing pressures around both Adult and Children's Social Care;
- Cost impact and Government funding for Adult Social Care reform;
- Confirmation of delivery of existing savings plans and the development and implementation of any new proposals;
- The impact of capital investment priorities both in terms of debt charges and any associated operational costs;
- The Government's plans and timescales in relation to Fair Funding and Business Rates retention impacting on the MTFP; and
- The general economic position and the direct impact on public sector finances.

3.7.2 The financial position over the medium term therefore remains uncertain. However, based on the best information available at this time, further significant reductions to budgets are required through to 2027/2028 based on a funding gap of £64.809m before any council tax increases. The table below sets out the position and takes into account the use of reserves to support the budget (including £9m in 2024/2025).

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Total On-going Spending Pressures and Commitments	31.728	17.758	18.385	14.980	<b>82.851</b>
Previously Approved Savings Proposals	(0.179)	0.086	1.778	0.000	<b>1.685</b>
Government Grant Changes	(17.984)	0.332	(1.027)	(1.048)	<b>(19.727)</b>
<b>Initial Funding Gap</b>	<b>13.565</b>	<b>18.176</b>	<b>19.136</b>	<b>13.932</b>	<b>64.809</b>

### 3.8 Locally Raised

#### Income Council Tax

- 3.8.1 The Localism Act provides for the provision of referendums to veto excessive Council Tax increases. This effectively places a limit on council tax increases and if local authorities exceed the Government's limit the public are able to vote to agree or veto any increase.
- 3.8.2 In recent years the Government's funding calculations have been based upon the assumption that local authorities will increase council tax by the maximum permitted amount, including continuing to levy the Social Care Precept that was introduced in 2016/2017.
- 3.8.3 Government have indicated that the limit for council tax increases for 2024/2025 will be 4.99% (2.99% core council tax and 2% re the Social Care Precept) As is customary the Government will consult on Council Tax referendum principles as part of the Local Government Finance Settlement.
- 3.8.4 Decisions on the level of council tax will be made as part of the final budget planning stages once all other funding factors are fully understood. However, at this stage given the significant financial challenges, the MTFP assumes an annual increase of 4.99%, comprising of an assumed 2.99% increase in core council tax and 2% for the Social Care Precept for 2024/2025.

## Business Rates

- 3.8.5 Under the current Retained Business Rates funding arrangement, the Council retains locally 49% of increased income arising from growth in the Local Business Rates base (equally it shares the risk of any under achievement of income targets). The Council has a relatively low Business Rates yield with the Government providing a top-up grant.
- 3.8.6 Inherent within the scheme is growth arising from annual inflationary increases to Business Rates. However, there remains uncertainty from appeals and avoidance tactics which can impact on the level of income achieved. The most significant opportunity for Business Rates growth arises through new developments, although growth in Business Rates in our three Enterprise Zones will be accounted for separately, as this is used to support the investment in those sites.
- 3.8.7 As with council tax, the impact of inflationary cost pressures and reduced consumer demand may impact on collectability and business survival as we move in to winter and then 2024/2025. The position will be kept under review and required adjustments reflected in the Budget Planning Framework as appropriate during the budget setting process.
- 3.8.8 The table below sets out the revised funding gap taking account of the MTFP assumed 4.99% increase in council tax and the revised collection fund estimated changes for business rates. The Council has previously created a MTFP Smoothing reserve to address forecast pressures. The MTFP assumes it will be used over 3 years, the table shows the phased removal of the use of the reserve in 2026/2027 and 2027/2028 as the reserve balance is fully utilised.

	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m
<b>Initial Funding Gap</b>	<b>13.565</b>	<b>18.176</b>	<b>19.136</b>	<b>13.932</b>	<b>64.809</b>
Collection Fund Impact - Council Tax	(6.356)	(5.720)	(4.674)	(4.835)	(21.585)
Collection Fund Impact - NNDR	0.833	(0.046)	(1.446)	(1.464)	(2.123)
<b>Current MTFP Gap</b>	<b>8.042</b>	<b>12.410</b>	<b>13.016</b>	<b>7.633</b>	<b>41.101</b>
Decrease / (Increase) in use of MTFP Reserve	0.000	0.000	1.400	7.600	9.000
<b>Current MTFP Gap after agreed use of reserves and council tax increase</b>	<b>8.042</b>	<b>12.410</b>	<b>14.416</b>	<b>15.233</b>	<b>50.101</b>

## 3.9 Revenue Savings Proposals

- 3.9.1 As noted in the Budget Planning Framework Report in October 2023, plans were in the development stage to be brought forward at a later stage in the budget planning process to address the budget gap. Budget savings proposals totalling £6.673m in 2024/2025 reducing to £6.626m on an ongoing basis have now been developed and are summarised below. Further details of the proposals are provided at Appendix 1. The delivery of the savings proposals developed by TfC will be monitored by the TfC Board at its meetings during 2024/2025.

Portfolio	Service	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
<b>Leader</b>	Communications	0.062	0.000	0.000	0.000
<b>Leader Total</b>		<b>0.062</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Deputy Leader</b>	Local Services	0.020	0.000	0.000	0.000
	Port of Sunderland	0.100	0.000	0.000	0.000
	Waste	0.000	0.030	0.000	0.000
<b>Deputy Leader Total</b>		<b>0.120</b>	<b>0.030</b>	<b>0.000</b>	<b>0.000</b>
<b>Cabinet Secretary</b>	Corporate Procurement	0.040	0.000	0.000	0.000
	City Enabling Services	0.153	0.000	0.000	0.000
	Housing Benefits	0.100	(0.100)	0.000	0.000
	ICT	0.065	0.000	0.000	0.000
	Insurance	0.405	0.000	0.000	(0.400)
	Law & Governance	0.183	0.000	0.000	0.000
	Property Services	0.220	0.000	0.000	0.000
	Transformation Projects Team	0.023	0.000	0.000	0.000
<b>Cabinet Secretary Total</b>		<b>1.189</b>	<b>(0.100)</b>	<b>0.000</b>	<b>(0.400)</b>
<b>Dynamic City</b>	Regulatory Services	0.073	0.000	0.000	0.000
	Siglion	0.100	0.000	0.000	0.000
	Transport and Infrastructure	0.275	0.000	0.000	0.000
<b>Dynamic City Total</b>		<b>0.448</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Healthy City</b>	Adult Social Care	2.104	0.300	0.000	0.000
<b>Healthy City Total</b>		<b>2.104</b>	<b>0.300</b>	<b>0.000</b>	<b>0.000</b>
<b>Vibrant City</b>	Welfare Rights	0.000	0.123	0.000	0.000
<b>Vibrant City Total</b>		<b>0.000</b>	<b>0.123</b>	<b>0.000</b>	<b>0.000</b>
<b>Children, Learning and Skills</b>	Together for Children	2.750	0.000	0.000	0.000
<b>Children, Learning and Skills Total</b>		<b>2.750</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Savings Proposals Total</b>		<b>6.673</b>	<b>0.353</b>	<b>0.000</b>	<b>(0.400)</b>

### 3.10 Overall Remaining Budget Gap

3.10.1 As set out in the table below after taking into account the budget saving proposals included in section 3.9, there remains a budget gap of £1.369m in 2024/2025, with a further £42.106m required to be identified over the period 2025/2026 to 2027/2028. Savings and efficiency proposals continue to be developed to address the remaining gap across all services and companies. Any additional proposals in relation to 2024/2025 will be presented to Cabinet in January 2024.

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
MTFS Gap after agreed use of reserves	8.042	12.410	14.416	15.233	<b>50.101</b>
Savings Proposals	(6.673)	(0.353)	0.000	0.400	(6.626)
<b>Updated MTFP Gap after savings proposals</b>	<b>1.369</b>	<b>12.057</b>	<b>14.416</b>	<b>15.633</b>	<b>43.475</b>

3.10.2 The Council's strong financial management and creation of reserves to support the budget over the medium term provides the opportunity to utilise funding to support the budget position whilst developing and delivering savings via the Efficiency Strategy.

3.10.3 Following the publication of the Provisional Local Government Finance Settlement, the level of resource to be provided by the Government for 2023/2024 and potentially 2024/2025 will be confirmed. A further update covering the Local Government Finance Settlement and any other changes to budget planning assumptions will be provided to Cabinet in January 2024.

### 3.11 Approach to addressing the funding gap

3.11.1 The actions and savings proposals required to address the significant forecast budget shortfall will continue to be developed by Chief Officers in conjunction with Members and will be the subject of future budget update reports. The Council's prudent accruing of MTFP Reserves provides the opportunity to utilise reserves to help support the budget position whilst developing and delivering savings over a medium-term time frame. The above figures include for the full use of the MTFP Reserve.

3.11.2 The Council's Efficiency Strategy was agreed by Council in February 2023. The Strategy set out a continual and iterative development of a programme of activity to address the gap taking into account the strategic vision of the Council's role in the future and reflecting the following key principles:

- Ensuring resources are targeted on statutory and front-line services and protecting key priority services with a focus on need rather than want;
- Managing demand - implementing strategies and policies that enable the Council to manage demand and facilitate those services which make a difference in the most effective way;
- Being customer focussed - using robust data and information to understand our resident's needs and maximising opportunities through use of technology for both our customers and internal users, so that people self-serve wherever possible thereby eliminating duplication and making activity more efficient;
- Redesigning and reshaping services to deliver required outcomes which maximises productivity;
- Strategic commissioning based on outcomes and using an intelligence-based approach to ensure a sound evidence base for commissioning decisions and effective commissioning arrangements;
- Ensuring opportunities for collaboration with partners to deliver key outcomes that matter to the city;

- Ensuring that our internal, support services respond appropriately to the changing shape and size of the Council;
- Involving the Community – residents, businesses, partners, voluntary sector to ensure best outcomes for the city; and
- Continued focus on regeneration and inward investment in order to grow business rates and council tax income, leveraging funding to maximise additional income sources and commercial opportunities.

#### **4 Workforce Planning Implications**

- 4.1 At this stage, given the remaining budget gap for 2024/2025 and future years it is anticipated that proposals may have a workforce planning implication. Any subsequent staffing reductions will be managed through the Council's Redundancy Policy and Procedure as necessary. It should also be noted that officers are continually reviewing resource allocations to ensure that staffing arrangements are fit for purpose.
- 4.2 At this stage it is proposed that any cost of redundancy payments and the release of pensions as required by the LGPS Regulations will be met from a combination of utilisation of capital receipts flexibilities and from within the overall corporate resource position. This position will be kept under review and updated as part of the budget proposals to Cabinet.

#### **5 Budget Consultation / Communication Strategy 2024/2025**

- 5.1 Communication, engagement and consultation are important parts of medium-term financial planning. A range of activity informs this process and influences financial planning.
- 5.2 Each year, the scale and nature of the proposals determine the approach to communication and consultation. Although further work is required to generate significant savings for 2024/2025 and beyond, the budget consultation in 2023 for the 2024/2025 budget will focus on feeling informed, the priorities within the City Plan and views on how Council budget resources are prioritised and allocated.
- 5.3 Clear messages focusing on the longer-term budget challenge, the scale of what we do and how the money is spent will accompany this consultation. This will be consistent with the Council's successful approach to resident engagement.
- 5.4 Existing networks will be utilised to communicate with both geographic communities and communities of interest. Consultation on the budget proposals will commence on 7th December 2023 and will run until early January 2024. Existing networks such as 'Let's Talk' and social media platforms will be utilised to communicate with both geographic communities and communities of interest.
- 5.5 There will be communications with a range of partners and stakeholders including Trades Unions, Chamber of Commerce, Sunderland Business Innovation District (BID), the wider business community, employees, and the city's Independent Advisory Groups. Communications with these groups will be tailored to their interests, for example, economic regeneration, neighbourhood services and adult services.
- 5.6 Scrutiny Coordinating Committee will continue to be consulted on the Council's budget planning framework and proposals.

- 5.7 Feedback from consultation with Scrutiny Coordinating Committee, Trades Unions and Business representatives will be considered in framing the final budget proposals to be submitted to Cabinet in February 2024.

## **6 Crime and Disorder**

- 6.1 Consideration has been given to the options for savings about their potential impact on crime and disorder, (Section 17 Duty). No existing proposals have been identified as having a negative impact.

## **7 Integrated Impact Assessment**

- 7.1 In accordance with the Council's new approach to assessing predicted impacts of activity, Integrated Impact Assessments (IIAs) will be applied to the budget setting process. The new IIA tool enables the Council to give due regard to the impacts of activity on:

- i. Equality and Human Rights, including ensuring the Council meets the three aims of the Public Sector Equality Duty (Appendix 2);
- ii. Socio-economic and digital inequalities;
- iii. Population health and health inequalities;
- iv. Low carbon and sustainability; and
- v. Community wealth building, including the duty on local authorities to consider the impact of all their functions and decisions on crime and disorder in their local area.

- 7.2 Each service must consider the predicted impacts of any new proposals brought forward to meet the future budget gap and complete an IIA. Completed IIAs will be presented with future Cabinet reports, along with a summary of the cumulative predicted impact of the proposals.

- 7.3 Members must understand the implications of the proposals outlined in the IIAs, as having regard to them will assist members in understanding the impact of decision and in complying with the Public Sector Equality Duty when considering the proposals.

## **8 Suggested Reasons for Decision**

- 8.1 Adoption of the Budget Planning Framework forms an essential part of the process of the preparation and compilation of the Revenue Budget for 2023/2024.

- 8.2 To enable constitutional requirements relating to the development of the Revenue Budget to be met.

## **9 Alternative Options to be considered and recommended to be rejected**

- 9.1 There are no alternative options recommended for approval.

## **10 Appendices**

Appendix 1 – Savings Proposals

## **11 Background Papers**

Revenue Budget and Proposed Council Tax for 2023/2024 and Medium Term Financial Plan (22<sup>nd</sup> February 2023 Council)

Budget Planning Framework and Medium-Term Financial Plan 2024/2025 –  
2027/2028 (12<sup>th</sup> October 2023 Cabinet).



## Appendix 1 – Savings Proposals

### Leader

Saving Proposal Area	Description of Proposal	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Strategy & Corporate Affairs	Review of team staffing arrangements and Operating Model	61,673	0	0	0
<b>Leader Total</b>		<b>61,673</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Deputy Leader

Saving Proposal Area	Description of Proposal	2024/25 £	2025/26 £	2026/27 £	2027/28 £
City Development	Commercial Activity – Improved trading position of the Port	100,000	0	0	0
Environmental Services	Review of Local Services team staffing arrangements	20,000	0	0	0
Environmental Services	Revised Trading Activity – Trade Waste	0	30,000	0	0
<b>Deputy Leader Total</b>		<b>120,000</b>	<b>30,000</b>	<b>0</b>	<b>0</b>

### Cabinet Secretary

Saving Proposal Area	Description of Proposal	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Finance	Review of Insurance Reserve – phased reduction	400,000	0	0	(400,000)
Finance	Realignment of Budgets reflecting current levels of income	365,000	(100,000)	0	0
Smart Cities & Enabling Services	Business Practice Improvements – MFDs and Printing	98,000	0	0	0
Smart Cities & Enabling Services	Review of team staffing arrangements and deletion of vacant posts	175,570	0	0	0
Smart Cities & Enabling Services	Realignment of Budgets reflecting current activity levels	150,000	0	0	0
<b>Cabinet Secretary Total</b>		<b>1,188,570</b>	<b>(100,000)</b>	<b>0</b>	<b>(400,000)</b>

## Dynamic City

<b>Saving Proposal Area</b>	<b>Description of Proposal</b>	<b>2024/25 £</b>	<b>2025/26 £</b>	<b>2026/27 £</b>	<b>2027/28 £</b>
City Development	Commercial Activity – Siglion increased distribution	100,000	0	0	0
City Development	Fees and Charges / Charging Policy – Licences & Notices	228,000	0	0	0
City Development	Recharges – Service relating to activity	20,000	0	0	0
City Development	Revised Trading Activity – Contract and Income Share	100,000	0	0	0
<b>Dynamic City Total</b>		<b>448,000</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Healthy City

<b>Saving Proposal Area</b>	<b>Description of Proposal</b>	<b>2024/25 £</b>	<b>2025/26 £</b>	<b>2026/27 £</b>	<b>2027/28 £</b>
Adult Social Care	Fees and Charges / Telecare Charging Policy	150,000	0	0	0
Adult Social Care	Realign Operating Model – Practice Review	1,754,000	0	0	0
Adult Social Care	Expansion of Direct Payments	200,000	300,000	0	0
<b>Healthy City Total</b>		<b>2,104,000</b>	<b>300,000</b>	<b>0</b>	<b>0</b>

## Vibrant City

Saving Proposal Area	Description of Proposal	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Health, Housing and Communities	Review of Welfare Rights Operating Model	0	123,000	0	0
<b>Vibrant City Total</b>		<b>0</b>	<b>123,000</b>	<b>0</b>	<b>0</b>

### Children, Learning and Skills

Saving Proposal Area	Description of Proposal	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Together for Children	Additional Income Generation	750,000	0	0	0
	Establishment review	800,000	0	0	0
	Spend to save initiatives	850,000	0	0	0
	General efficiency and savings	350,000	0	0	0
<b>Children, Learning and Skills Total</b>		<b>2,750,000</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Total MTFP Savings Proposals</b>		<b>6,672,243</b>	<b>353,000</b>	<b>0</b>	<b>(400,000)</b>
-------------------------------------	--	------------------	----------------	----------	------------------